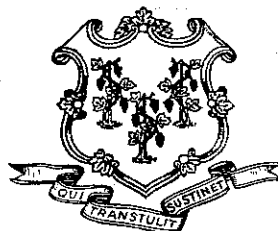


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March 17, 2014

Good Afternoon Senator Fonfara, Representative Widlitz, and members of the Finance, Revenue and Bonding Committee. I am here to testify in support of SB 467 AN ACT CONCERNING STATE GRANTS IN LIEU OF PROPERTY TAXES.

The Payment In Lieu of Taxes (PILOT) Program is of extraordinary importance to the vitality of Connecticut and especially to its urban areas. The urban areas have a decreased property tax base in part because a significant amount of urban property is tax exempt because it is owned by colleges, hospitals, state agencies or other non-profit organizations. The PILOT program partially compensates these municipalities for the regional benefit that these facilities offer.

PILOT payments for state-owned property and private colleges and hospitals are based on a percentage of the taxes that the town would otherwise collect on the property and on the overall state appropriation for the grant payments. The statute sets a percentage reimbursement for each type of property but requires the payments to be proportionately reduced if the state appropriation for the grants is not enough to pay the full amount to every town. Currently, PILOT funding is set in statute at 77% for colleges

and hospitals and 45% for state owned property. However, this amount is prorated to fit under the money allocated to PILOT in the budget. The actual effective rates are approximately 33% for colleges and hospitals and 20% for state owned property. The actual amount paid varies with each budget cycle making municipal budgeting more challenging.

SB 467 would set the rate for PILOT reimbursement for state owned property and for colleges and hospitals at the same rate and not allow proration. The bill would create a sliding scale reimbursement under which the twenty municipalities with the most PILOT eligible property would be reimbursed at 50%, the next twenty would be reimbursed at 45%, and all other municipalities would be reimbursed at 40%. Although the percentages appear lower than current law, the effective rate would actually be significantly higher. In addition, this legislation would decrease the uncertainty that municipalities now face regarding the level of PILOT funding they will receive. The changes that the bill would provide are phased in; it would also guarantee that no town will receive less PILOT funding than it received in the fiscal year commencing July 1, 2014. This legislation represents a positive step toward creating fiscal stability for Connecticut municipalities. Thank you for raising this important concept.